

**CITY OF GREEN RIVER**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**CITY OF GREEN RIVER**  
**BASIC FINANCIAL STATEMENTS**  
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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
City of Green River  
Green River, Utah 84525

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Green River, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City of Green River's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Green River as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2006, on our consideration of the City of Green River's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis as listed in the financial section of the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Laurie Rich Marsing".

Price, Utah

December 31, 2006

**CITY OF GREEN RIVER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

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Our discussion and analysis of the City of Green River's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006.

**FINANCIAL HIGHLIGHTS**

- ❖ The City's net assets increased \$315,871 as a result of this year's operations. Net assets of our governmental activities decreased by (\$202,094), and net assets of our business-type activities increased by \$517,965.
- ❖ Total expenses of \$904,840 were \$605,044 more than the direct revenues received of \$299,796 for governmental activities.
- ❖ In the City's business-type activities, revenues of \$1,131,189 were \$251,677 more than the expenses of \$879,512 for business-type activities.
- ❖ Sales and Franchise Tax was \$616,088. Sales and Franchise Tax increased by \$21,355 from the previous fiscal year.
- ❖ The City received \$48,196 for after school programs, pregnancy prevention and tobacco prevention and control from federal and state grants, \$75,000 for drainage projects from Community Impact Board and \$392,235 for west end water projects from Community Impact Board.
- ❖ The City paid off two debt issues early. The debt was in the Enterprise Funds. The total amount paid for the early retirement of these debt issues were \$218,162.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 11-12) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

**REPORTING THE CITY AS A WHOLE**

Our analysis of the City as a whole begins on page 11. The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps determine if the City is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## REPORTING THE CITY AS A WHOLE (Continued)

These two statements report the City's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the City's financial position. Increases or decreases in the City's net assets are one indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, water lines, sewer lines, drainage systems, and other capital assets to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental activities** - Most of the City's basic services are reported here, including the general and administration cost, contributions to other agencies, public safety, public works, parks department and interest on long-term debt. Franchise fees, sales taxes and state and federal grants finance most of these activities.

**Business-type activities** - The City charges a fee to customers to help cover all or most of the cost of services it provides. The City's water, sewer, landfill and museum services are reported here.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City established other funds to help it control and manage money for particular purposes (special revenue and capital projects payments) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

**Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds*, in a reconciliation at the bottom of the fund financial statements.

**Proprietary funds** – When the City charges customers for the services it provides – to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

## The City as Trustee

The City does not hold any funds or property in a trustee capacity. Consequently, no trustee information is required to be presented.

## Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The City's Statement of Net Assets, which increased during the current calendar year, presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. The government-wide financial statements include the City's activity only. If the City (the primary government) had accountability to any other entity (known as a component unit), that information would also be presented in the government-wide financial statements. The analysis below focuses on the net assets (Table 1), and changes in net assets (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005	Total Primary Government 2006	Total Primary Government 2005
Current and other assets	\$ 703,517	\$ 761,075	\$ 610,558	\$ 764,621	\$ 1,314,075	\$ 1,468,138
Capital assets	5,744,579	5,873,341	8,694,234	8,453,230	14,438,813	14,197,809
<b>Total assets</b>	<b>\$ 6,448,096</b>	<b>\$ 6,634,416</b>	<b>\$ 9,304,792</b>	<b>\$ 9,217,851</b>	<b>\$ 15,752,888</b>	<b>\$ 15,665,947</b>
Current liabilities	\$ 45,369	\$ 19,641	\$ 188,951	\$ 209,409	\$ 234,320	\$ 254,778
Long-term debt outstanding	194,668	204,622	3,140,611	3,533,505	3,335,279	3,728,173
<b>Total liabilities</b>	<b>\$ 240,037</b>	<b>\$ 224,263</b>	<b>\$ 3,329,562</b>	<b>\$ 3,742,914</b>	<b>\$ 3,569,599</b>	<b>\$ 3,982,951</b>
<b>Net assets:</b>						
Invested in capital assets, net of debt	\$ 5,545,579	\$ 5,665,341	\$ 5,419,950	\$ 4,775,169	\$ 10,965,529	\$ 10,320,748
Restricted for:						
Class "C" road	16,895	117,586			16,895	16,895
Capital projects	358,777	428,167			358,777	358,777
Recreation projects	12,619	17,047			12,619	12,619
Unrestricted	274,189	182,012	555,280	699,768	829,469	973,957
<b>Total net assets</b>	<b>\$ 6,208,059</b>	<b>\$ 6,410,153</b>	<b>\$ 5,975,230</b>	<b>\$ 5,474,937</b>	<b>\$ 12,183,289</b>	<b>\$ 11,682,996</b>



## Government-wide financial statements (Continued)

Net Assets of the City's governmental activities decreased by 3.15 percent (\$6,410,153 compared to \$6,208,059). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$274,189 at the end of June 30, 2006.

Net Assets of our business-type activities increased 9.14 percent (\$5,474,937 compared to \$5,975,230). *Unrestricted* net assets for this group amounted to \$555,280. These net assets are used to finance the continuing operations of the water, sewer, landfill and museum service funds.

The City's capitalization policy for assets that are being recorded as capital assets has not changed during the current fiscal year. The City's capitalization amount is \$5,000.

Table 2  
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005	Total Primary Government 2006	Total Primary Government 2005
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 35,273	\$ 39,998	\$ 721,597	\$ 712,019	\$ 756,870	\$ 752,017
Operating grants and contrib.	264,523	189,931	12,500		277,023	189,931
Capital grants and contributions		290,750	397,092	26,330	397,092	317,080
<b>General Revenues:</b>						
Sales and franchise taxes	616,088	594,733			616,088	594,733
Other general revenue	31,796	7,560	21,354	17,247	53,150	24,807
Total revenues	\$ 947,680	\$ 1,122,972	\$ 1,152,543	\$ 755,596	\$ 2,100,223	\$ 1,878,568
<b>Program Expenses</b>						
General government	\$ 322,767	\$ 269,234			\$ 322,767	\$ 269,234
Public safety	36,148	31,300			36,148	31,300
Highways and public improve.	346,099	425,663			346,099	425,663
Parks and recreation	192,024	184,173			192,024	184,173
Community and econom. devel.	1,552	1,554			1,552	1,554
Interest on long-term debt	6,250	6,430			6,250	6,430
Loss on sale of assets						
Water			\$ 344,004	\$ 335,701	344,004	335,701
Sewer			184,411	221,328	184,411	221,328
Landfill			130,783	131,445	130,783	131,445
Museum			220,314	220,678	220,314	220,678
Total expenses	\$ 904,840	\$ 918,354	\$ 879,512	\$ 909,152	\$ 1,784,352	\$ 1,827,506
Excess (deficiency) before transfers	\$ 42,840	\$ 204,618	\$ 273,031	\$ (153,556)	\$ 315,871	\$ 51,062

# Government-wide financial statements (Continued)

**Table 2**  
**(Continued)**  
**Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Total Primary Government</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Excess (deficiency) before transfers	\$ 42,840	\$ 204,618	\$ 273,031	\$ (153,556)	\$ 315,871	\$ 51,062
Transfers in (out)	\$ (244,934)	\$ (70,000)	\$ 244,934	\$ 70,000		
Change in net assets	<u>\$ (202,094)</u>	<u>\$ 134,618</u>	<u>\$ 517,965</u>	<u>\$ (83,556)</u>	<u>\$ 315,871</u>	<u>\$ 51,062</u>
Net Assets - beginning	\$ 6,410,153	\$ 6,379,095	\$ 5,474,937	\$ 5,454,933	\$ 11,885,090	\$ 11,834,028
Prior period adjustment			(17,672)		(17,672)	
Net Assets - ending	<u>6,208,059</u>	<u>6,410,153</u>	<u>5,975,230</u>	<u>5,474,937</u>	<u>12,183,289</u>	<u>11,885,090</u>
Change in net assets	<u>\$ (202,094)</u>	<u>\$ 31,058</u>	<u>\$ 517,965</u>	<u>\$ 20,004</u>	<u>\$ 315,871</u>	<u>\$ 51,062</u>

The City's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the City and those who are served by the City's operations. As revenues increase, the funds will be used to make necessary improvements in government operations, road and recreation improvements, utility improvements and purchase of supplies and equipment that are appropriate and beneficial.

## Governmental Activities

Revenues for the City's governmental type activities, decreased \$175,292, a 15.61 percent decrease. Total expenses using these funds decreased \$13,514, a decrease of 1.47 percent. The largest decrease in revenue was in grant proceeds that occurred in the current year. The largest decreases in expenditures occurred in highways and public improvements. The largest sources of funds are Resort and community sales taxes, Sales and use taxes, Franchise taxes, and operating grants and contributions. These funds, and other special grants, enable the City the opportunity to fund a variety of improvement and recreation projects. An overall decrease in the revenues of approximately 16 percent compared to a decrease of approximately 2 percent in expenditures has caused a significant decrease in the net assets for governmental activities from the previous year. (\$202,094) in the current year compared to \$31,058 in the previous year.

The cost of all governmental activities this year was \$904,840. As shown in the Statement of Activities on page 12, Sales and franchise tax revenue paid for the majority of these activities. Class "C" road revenue of \$64,977 helped pay 18.77 percent of the Highway and public improvements costs. Overall, the City's governmental program revenues \$299,796 paid 33.13 percent of the governmental activities expenditures.

### **Governmental Activities (Continued)**

Costs of the City are centered within several programs—General government, Public safety, Highways and public improvements, Parks and recreation, Community and economic development and interest on long-term debt. The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the Sales and franchise taxes and the other miscellaneous funds.

### **Business-type Activities**

Revenues of the City's business-type activities increased 52.53 percent (\$755,596 compared to \$1,152,543) while expenses decreased 3.26 percent (\$909,152 compared to \$879,512). The major increase in revenue occurred from a capital grant for the water projects. Water and sewer revenues have increased 5.79 and decreased 4.92 percent respectively, due to fluctuation in residential and commercial consumption. Landfill revenues have increased 8.44 percent, due to an increase in residential and commercial charges. Museum revenues have decreased 5.92 percent, due to decreases in sales. No other significant increases or decreases in overall revenues or expenses have occurred in any other business-type funds.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City revised their budget once. The original budget was adopted on June 14, 2005 and was adjusted on May 9, 2006. The budget was amended to \$1,076,893 to account for a decrease in intergovernmental revenue, charges for services, an increase in transfers in and to prevent budget overruns. The differences in the original budget and final amended budget are summarized as follows: 1) decrease in intergovernmental revenue (124,500), decrease in charges for services (8,273), increase in transfers in (24,400) decrease in sale of materials and assets (1,250) 2) decrease in expenditures for General government (\$28,330), increase in expenditures for Public safety (\$11,073), decrease in expenditures for Public health (\$13,073) increase in expenditures for Highways and public improvements (\$149,900), decrease in expenditures for Parks, recreation, and public property (\$9,900) and increase in other financing sources expenditures transfers out (\$105,900).

The actual charges for expenditures were \$972,352. This was \$104,541 below the final budget amounts. The most significant positive variances occurred in Public safety (\$19,030), Highways and public improvement (\$37,214) and Parks, recreation, and public property (\$38,085).

Resources for revenues were \$1,179,276. This was \$70,652 higher than the final budgeted amount. The most significant positive variance occurred in intergovernmental revenue (\$21,708), charges for services (\$11,734) and investment earnings (\$15,977).

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of June 30, 2006, the City had \$14,438,813 (net) invested in a broad range of capital assets, including land, buildings, improvements other than buildings, machinery and equipment, and infrastructure (see Table 4 below). This amount represents a net increase (including additions and deletions) of \$112,242, or a .78 percent increase over the previous year.

# CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

## Capital Assets (Continued)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**  
**June 30, 2006**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Business-type Activities</b>	<b>Totals Primary Government</b>	<b>Totals Primary Government</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Land	\$ 530,941	\$ 530,941	\$ 209,481	\$ 209,481	\$ 740,422	\$ 740,422
Work in progress		344,457	35,892		35,892	
Buildings	964,264	997,843	1,150,617	1,187,076	2,114,881	2,184,919
Improvements other than buildings	1,259,579	1,359,590	7,197,423	6,977,403	8,457,002	8,336,993
Machinery/equipment	122,462	155,600	100,821	79,270	223,283	234,870
Infrastructure	2,867,333	2,484,910			2,867,333	2,484,910
Total assets activities	<u>\$ 5,744,579</u>	<u>\$ 5,873,341</u>	<u>\$ 8,694,234</u>	<u>\$ 8,453,230</u>	<u>\$ 14,438,813</u>	<u>\$ 13,982,114</u>

This year's major addition includes:

Capital improvements – street improvement projects	\$ 164,280
Paid with Class C road proceeds from the current year.	
Capital improvements – Drainage project	52,258
Paid with grant and current year revenues.	
Capital improvements – Water project	
Paid with grant proceeds and current year revenues	468,045

The City's fiscal year 2006 capital budget calls for spending on capital projects, continuing airport improvements and purchases of necessary equipment.

## Long-term debt

As of June 30, 2006, the City had \$3,473,284 in bonds payable outstanding. The debt represents refunding bonds and revenue bonds secured solely by specified revenue sources. The City paid off a substantial amount of debt during the year to reduce their debt load. Early debt payments were paid in the amounts of \$218,162. This amount paid off two debt issues in the Enterprise funds. The following table (table 5) shows outstanding debt for the current year.

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**  
**Long-term debt (Continued)**

**Table 5**  
**Outstanding Debt as of**  
**June 30, 2006**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Business-type Activities</b>	<b>Totals Primary Government</b>	<b>Totals Primary Government</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Refunding bonds payable			\$ 521,000	\$ 559,000	\$ 521,000	\$ 559,000
Revenue bonds payable	\$ 199,000	\$ 208,000	2,753,284	3,119,061	2,952,284	3,327,061
<b>Total debt</b>	<b>\$ 199,000</b>	<b>\$ 208,000</b>	<b>\$ 3,274,284</b>	<b>\$ 3,678,061</b>	<b>\$ 3,473,284</b>	<b>\$ 3,886,061</b>

There has been no new debt issued during the current fiscal year. The City is not planning to add additional debt in the next fiscal year. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

**ECONOMIC FORECAST AND FUTURE BUDGET**

As part of the budget process each year the City performs an evaluation to project future revenues for the coming fiscal year. A major aspect of this evaluation is projecting resort and sales tax revenue. Tax revenue is expected to increase for the future year from what was budgeted.

The major projects for the year include a parallel taxiway at the airport. This will be funded with grants from the FAA, State of Utah and 10% of the cost will come from the City's General fund. New curb, gutter, sidewalk and fence will be placed around the baseball park on Clark and Solomon Streets. This will be funded out of the General and Capital Projects funds. There will be a new water line crossing the river, which is the major source of water supply for most of our community. This will replace the existing one. The City was fortunate enough to secure Community Impact Board grants to do this expensive and difficult task. A Community Development Block Grant has been applied for to replace eleven sewer manholes that are badly deteriorated. This will improve our sewer system. The City will be finalizing the sale of the old Medical Center and single family dwelling next door to the State of Utah for the golf course to use. Finally, we have our 100-year Melon Days celebration and the City has set aside extra money in Capital Projects for this historical event.

The City is looking forward to new development and is taking progressive steps to ensure that the community is developed and marketed in the most responsible manner possible.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Recorder, Conae Black at PO Box 620, Green River, Utah 84525.

**CITY OF GREEN RIVER**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash	\$ 264,785	\$ 495,873	\$ 760,658
Cash restricted	397,182	8,043	405,225
Accounts receivable (net)	10,568	59,539	70,107
Due from other governmental units	30,982		30,982
Inventory		47,103	47,103
Capital assets (net of accumulated depreciation):			
Land	530,941	209,481	740,422
Buildings	964,264	1,150,617	2,114,881
Improvements other than buildings	1,259,579	7,197,423	8,457,002
Machinery and equipment	122,462	100,821	223,283
Infrastructure	2,867,333		2,867,333
Work in progress		35,892	35,892
Total assets	\$ 6,448,096	\$ 9,304,792	\$ 15,752,888
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 21,463	\$ 16,111	\$ 37,574
Customer deposits payable		8,043	8,043
Bond interest payable	3,980	13,924	17,904
Accrued payroll	10,926		10,926
Noncurrent liabilities:			
Bonds payable - Due within one year	9,000	150,873	159,873
Bonds payable - Due in more than one year	190,000	3,123,411	3,313,411
Contract payable		17,200	17,200
Compensated absences	4,668		4,668
Total liabilities	\$ 240,037	\$ 3,329,562	\$ 3,569,599
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 5,545,579	\$ 5,419,950	\$ 10,965,529
Restricted for:			
Class "C" Roads	16,895		16,895
Recreation projects	12,619		12,619
Capital projects	358,777		358,777
Unrestricted	274,189	555,280	829,469
Total net assets	\$ 6,208,059	\$ 5,975,230	\$ 12,183,289

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
<b>Primary government:</b>						
<b>Governmental activities:</b>						
General government	\$ 322,767	\$ 17,739	\$ 110,444		\$ (194,584)	\$ (194,584)
Public safety	36,148	4,387	3,955		(27,806)	(27,806)
Highways and public improvements	346,099		64,977		(281,122)	(281,122)
Parks and recreation	192,024	13,147	85,147		(93,730)	(93,730)
Community and economic development	1,552				(1,552)	(1,552)
Interest on long-term debt	6,250				(6,250)	(6,250)
Total governmental activities	\$ 904,840	\$ 35,273	\$ 264,523	\$ ...	\$ (605,044)	\$ (605,044)
<b>Business-type activities:</b>						
Water	\$ 344,004	\$ 291,089		\$ 392,235		\$ 339,320
Sewer	184,411	171,568				(12,843)
Landfill	130,783	133,621				2,838
Museum	220,314	125,319	\$ 12,500	4,857		(77,638)
Total business-type activities	\$ 879,512	\$ 721,597	\$ 12,500	\$ 397,092	\$ ...	\$ 251,677
Total primary government	\$ 1,784,352	\$ 756,870	\$ 277,023	\$ 397,092	\$ (605,044)	\$ (353,367)
<b>General revenues:</b>						
Sales taxes					\$ 604,946	\$ 604,946
Franchise taxes					11,142	11,142
Unrestricted investment earnings					31,279	\$ 21,354
Miscellaneous					517	517
Transfers in (out)					(244,934)	244,934
Total general revenues and transfers					\$ 402,950	\$ 266,288
Change in net assets					\$ (202,094)	\$ 517,965
Net assets - beginning					6,410,153	5,474,937
Prior period adjustment (note 16)						(17,672)
Net assets - ending					\$ 6,208,059	\$ 5,975,230
						\$ 12,183,289

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>			
Cash	\$ 259,785		\$ 259,785
Cash restricted	38,405	\$ 363,777	402,182
Receivables (net):			
Fees and assessments	10,568		10,568
Due from other governmental units	30,982		30,982
Total assets	<u>\$ 339,740</u>	<u>\$ 363,777</u>	<u>\$ 703,517</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 16,463	\$ 5,000	\$ 21,463
Accrued payroll	10,926		10,926
Total liabilities	<u>\$ 27,389</u>	<u>\$ 5,000</u>	<u>\$ 32,389</u>
Fund balances:			
Reserved for:			
Class C Roads	\$ 16,895		\$ 16,895
Recreation projects	12,619		12,619
Capital project funds		\$ 358,777	358,777
Unreserved, reported in:			
General fund	273,946		273,946
Weed control fund	8,891		8,891
Total fund balances	<u>\$ 312,351</u>	<u>\$ 358,777</u>	<u>\$ 671,128</u>
Total liabilities and fund balances	<u>\$ 339,740</u>	<u>\$ 363,777</u>	<u>\$ 703,517</u>

"The notes to the financial statements are an integral part of this statement."



**CITY OF GREEN RIVER**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

Total fund balances - governmental fund types: \$ 671,128

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land and easements	\$ 530,941	
Buildings	964,264	
Improvements other than buildings	1,259,579	
Machinery and equipment	122,462	
Infrastructure	<u>2,867,333</u>	5,744,579

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bond interest payable	\$ (3,980)	
Bonds payable - current portion	(9,000)	
Bonds payable - one year	(190,000)	
Compensated absences	<u>(4,668)</u>	<u>(207,648)</u>

Net assets of governmental activities

\$ 6,208,059

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	GENERAL FUND	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Taxes	\$ 616,088		\$ 616,088
Licenses and permits	5,354		5,354
Intergovernmental	264,678		264,678
Charges for services	4,859		4,859
Miscellaneous revenue	43,382	\$ 12,802	56,184
Total revenues	\$ 934,361	\$ 12,802	\$ 947,163
<b>EXPENDITURES:</b>			
Current:			
General government	\$ 286,355		\$ 286,355
Public safety	34,616		34,616
Highways and public improvements	218,436	\$ 52,258	270,694
Parks, recreation, and public property	173,115	5,000	178,115
Debt service:			
Principal retirement	9,000		9,000
Interest and fiscal charges	6,430		6,430
Total expenditures	\$ 727,952	\$ 57,258	\$ 785,210
Excess revenues over (under) expenditures	\$ 206,409	\$ (44,456)	\$ 161,953
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	\$ 24,400	\$ 125,000	\$ 149,400
Transfers out	(244,400)	(149,934)	(394,334)
Sale of materials	515		515
Total other financing sources (uses)	\$ (219,485)	\$ (24,934)	\$ (244,419)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (13,076)	\$ (69,390)	\$ (82,466)
<b>FUND BALANCES - beginning of year</b>	325,427	428,167	753,594
<b>FUND BALANCES - end of year</b>	\$ 312,351	\$ 358,777	\$ 671,128

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (82,466)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$216,538) exceeded depreciation (\$345,300) in the current period.	(128,762)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	9,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	134
Change in net assets of governmental activities	<u>\$ (202,094)</u>

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
REVENUES:				
Taxes:				
General sales and use tax	\$ 207,000	\$ 207,000	\$ 209,369	\$ 2,369
Franchise tax	11,500	11,500	11,142	(358)
Transient room tax	45,000	45,000	49,288	4,288
Resort community sales tax	274,000	274,000	295,708	21,708
Highway sales taxes	45,000	45,000	50,581	5,581
Licenses and permits	3,000	3,000	5,354	2,354
Intergovernmental	382,300	257,800	264,523	6,723
Charges for services	14,073	5,800	17,534	11,734
Investment earnings	2,500	2,500	18,477	15,977
Miscellaneous revenue	25,200	25,200	12,385	(12,815)
Total revenues	\$ 1,009,573	\$ 876,800	\$ 934,361	\$ 57,561
EXPENDITURES:				
Current:				
General government:				
Administration	\$ 277,150	\$ 253,650	\$ 249,448	\$ 4,202
Building maintenance	39,250	35,170	31,875	3,295
Planning and zoning	5,000	5,000	3,543	1,457
Education and community promotion	3,000	2,250	1,489	761
Total general government	\$ 324,400	\$ 296,070	\$ 286,355	\$ 9,715
Public safety:				
Fire	\$ 35,800	\$ 35,800	\$ 26,047	\$ 9,753
Weed and mosquito control		10,573	2,654	7,919
Animal control & regulation	5,700	5,200	4,421	779
Building inspection	1,000	2,000	1,421	579
Total public safety	\$ 42,500	\$ 53,573	\$ 34,543	\$ 19,030
Public health:				
Health services	\$ 13,573	\$ 500	\$ 73	\$ 427
Total public health	\$ 13,573	\$ 500	\$ 73	\$ 427
Highways and public improvements:				
Class "C" roads	\$ 75,750	\$ 225,650	\$ 213,371	\$ 12,279
Curb and gutter	30,000	30,000	5,065	24,935
Total highways and public improvements	\$ 105,750	\$ 255,650	\$ 218,436	\$ 37,214

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
Parks, recreation, and public property:				
Parks	\$ 44,400	\$ 50,400	\$ 43,733	\$ 6,667
Television		3,000	1,734	1,266
Recreation	175,700	154,700	125,121	29,579
Airport	1,000	3,100	2,527	573
Total parks, recreation and public property	\$ 221,100	\$ 211,200	\$ 173,115	\$ 38,085
Debt service:				
Principal retirement	\$ 9,000	\$ 9,000	\$ 9,000	
Interest and fiscal charges	6,500	6,500	6,430	70
Total debt service	\$ 15,500	\$ 15,500	\$ 15,430	70
Total expenditures	\$ 722,823	\$ 832,493	\$ 727,952	\$ 104,541
Excess of revenue over (under) expenditures	\$ 286,750	\$ 44,307	\$ 206,409	\$ 162,102
OTHER FINANCING SOURCES (USES):				
Transfers (out)	\$ (138,500)	\$ (244,400)	\$ (244,400)	
Transfers in		24,400	24,400	
Sale of materials and assets	1,750	500	515	15
Total other financing sources (uses)	\$ (136,750)	\$ (219,500)	\$ (219,485)	15
Excess of revenues and other sources over (under) expenditures and other uses	\$ 150,000	\$ (175,193)	\$ (13,076)	\$ 162,117
Fund balances - beginning of year	(150,000)	175,193	325,427	150,234
Fund balances - end of year	\$ ...	\$ ...	\$ 312,351	\$ 312,351

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER FUND	SEWER FUND	LANDFILL FUND	MUSEUM FUND	TOTAL
<b><u>ASSETS</u></b>					
Current assets:					
Cash	\$ 189,040	\$ 196,034	\$ 3,532	\$ 90,067	\$ 478,673
Cash restricted	8,043	17,200			25,243
Receivables - net					
Utilities	23,625	19,567	16,347		59,539
Inventory				47,103	47,103
Total current assets	\$ 220,708	\$ 232,801	\$ 19,879	\$ 137,170	\$ 610,558
Noncurrent assets:					
Land	\$ 41,974	\$ 2,507		\$ 165,000	\$ 209,481
Equipment, buildings and improvements	4,858,436	4,996,965	\$ 50,651	2,258,804	12,164,856
Less: Accumulated depreciation	(1,172,756)	(1,536,963)	(22,311)	(948,073)	(3,680,103)
Total noncurrent assets	\$ 3,727,654	\$ 3,462,509	\$ 28,340	\$ 1,475,731	\$ 8,694,234
Total assets	\$ 3,948,362	\$ 3,695,310	\$ 48,219	\$ 1,612,901	\$ 9,304,792
<b><u>LIABILITIES</u></b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 4,655	\$ 81	\$ 5	\$ 11,370	\$ 16,111
Accrued interest payable	13,924				13,924
Current portion - long-term debt	133,000	5,873		12,000	150,873
Total current liabilities	\$ 151,579	\$ 5,954	\$ 5	\$ 23,370	\$ 180,908

"The notes to the financial statements are an integral part of this statement."

CITY OF GREEN RIVER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER FUND	SEWER FUND	LANDFILL FUND	MUSEUM FUND	TOTAL
Noncurrent liabilities:					
Customer deposits payable	\$ 8,043				\$ 8,043
Contract payable		\$ 17,200			17,200
Revenue bonds payable	<u>1,387,000</u>	<u>1,628,411</u>		<u>\$ 108,000</u>	<u>3,123,411</u>
Total noncurrent liabilities	<u>\$ 1,395,043</u>	<u>\$ 1,645,611</u>	<u>\$ ...</u>	<u>\$ 108,000</u>	<u>\$ 3,148,654</u>
Total liabilities	<u>\$ 1,546,622</u>	<u>\$ 1,651,565</u>	<u>\$ 5</u>	<u>\$ 131,370</u>	<u>\$ 3,329,562</u>
Net Assets:					
Invested in capital assets, net of related debt	\$ 2,207,654	\$ 1,828,225	\$ 28,340	\$ 1,355,731	\$ 5,419,950
Unrestricted	<u>194,086</u>	<u>215,520</u>	<u>19,874</u>	<u>125,800</u>	<u>555,280</u>
Total net assets	<u>\$ 2,401,740</u>	<u>\$ 2,043,745</u>	<u>\$ 48,214</u>	<u>\$ 1,481,531</u>	
Net assets of business-type activities					<u>\$ 5,975,230</u>

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS				
	WATER FUND	SEWER FUND	LANDFILL FUND	MUSEUM FUND	TOTAL
Operating revenues:					
Charges for sales and services	\$ 291,089	\$ 171,568	\$ 133,621	\$ 125,319	\$ 721,597
<b>Total operating revenues</b>	<b>\$ 291,089</b>	<b>\$ 171,568</b>	<b>\$ 133,621</b>	<b>\$ 125,319</b>	<b>\$ 721,597</b>
Operating expenses:					
Employee salaries	\$ 65,277	\$ 13,880	\$ 8,694	\$ 44,073	\$ 131,924
Employee benefits	36,212	8,495	3,563	11,916	60,186
Public notices	340			18	358
Travel	717			362	1,079
Office supplies	816	303	186	3,664	4,969
Equipment supplies and maintenance	2,985	298		7,615	10,898
Building/grounds supplies and maintenance	16,712	1,318		2,453	20,483
Utilities and telephone	31,505	11,251	1,137	25,322	69,215
Fuel and oil	2,181	1,005		104	3,290
Professional and technical	8,645			400	9,045
Dues and memberships	1,020	22		300	1,342
Advertising				2,921	2,921
Garbage collection fees			113,146		113,146
Water treatment	10,910				10,910
Water samples	5,006				5,006
Postage and shipping	339			216	555
Gift shop expenses - supplies				57,429	57,429
Bad debt	706				706
Depreciation	129,291	114,382	4,057	63,389	311,119
Miscellaneous	382			132	514
<b>Total operating expenses</b>	<b>\$ 313,044</b>	<b>\$ 150,954</b>	<b>\$ 130,783</b>	<b>\$ 220,314</b>	<b>\$ 815,095</b>
<b>Operating income (loss)</b>	<b>\$ (21,955)</b>	<b>\$ 20,614</b>	<b>\$ 2,838</b>	<b>\$ (94,995)</b>	<b>\$ (93,498)</b>
Nonoperating revenues (expenses):					
Interest revenue	\$ 11,878	\$ 7,141		\$ 2,335	\$ 21,354
Interest expense and fiscal charges	(30,960)	(33,457)			(64,417)
Grants and governmental revenue	392,235			17,357	409,592
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 373,153</b>	<b>\$ (26,316)</b>	<b>\$ ...</b>	<b>\$ 19,692</b>	<b>\$ 366,529</b>
<b>Income (loss) before transfers</b>	<b>\$ 351,198</b>	<b>\$ (5,702)</b>	<b>\$ 2,838</b>	<b>\$ (75,303)</b>	<b>\$ 273,031</b>
Transfers In (Out):					
Transfers in	\$ 140,000		\$ 35,000	\$ 69,934	\$ 244,934
<b>Total transfers in (out):</b>	<b>\$ 140,000</b>	<b>\$ ...</b>	<b>\$ 35,000</b>	<b>\$ 69,934</b>	<b>\$ 244,934</b>
<b>Change in net assets</b>	<b>\$ 491,198</b>	<b>\$ (5,702)</b>	<b>\$ 37,838</b>	<b>\$ (5,369)</b>	<b>\$ 517,965</b>
<b>Total net assets - beginning</b>	<b>1,910,542</b>	<b>2,049,447</b>	<b>10,376</b>	<b>1,504,572</b>	<b>5,474,937</b>
Prior period adjustment (note 16)				(17,672)	(17,672)
<b>Total net assets - ending</b>	<b>\$ 2,401,740</b>	<b>\$ 2,043,745</b>	<b>\$ 48,214</b>	<b>\$ 1,481,531</b>	<b>\$ 5,975,230</b>

"The notes to the financial statements are an integral part of this statement."



**CITY OF GREEN RIVER**  
**STATEMENT OF CASH FLOWS**  
**PROPERETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	ENTERPRISE FUNDS				
	WATER FUND	SEWER FUND	LANDFILL FUND	MUSEUM FUND	TOTAL
<b>Cash Flows From Operating Activities:</b>					
Cash receipts from customers	\$ 290,445	\$ 172,575	\$ 133,442	\$ 125,319	\$ 721,781
Cash payments to suppliers	(81,105)	(15,969)	(124,964)	(102,746)	(324,784)
Cash payments to employees	(101,489)	(22,375)	(12,257)	(55,989)	(192,110)
Net cash provided (used) by operating activities	\$ 107,851	\$ 134,231	\$ (3,779)	\$ (33,416)	\$ 204,887
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers from other funds	\$ 140,000		\$ 35,000	\$ 69,934	\$ 244,934
Net cash provided (used) by noncapital financing activities	\$ 140,000	\$ ...	\$ 35,000	\$ 69,934	\$ 244,934
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition of capital assets	\$ (503,937)			\$ (48,185)	\$ (552,122)
Grants and governmental revenue	392,235			17,357	409,592
Interest paid on bonds	(34,815)	\$ (33,457)			(68,272)
Principal paid on bonds	(210,000)	(181,777)		(12,000)	(403,777)
Net cash provided (used) by capital and related financing activities	\$ (356,517)	\$ (215,234)	\$ ...	\$ (42,828)	\$ (614,579)
<b>Cash Flows From Investing Activities:</b>					
Interest and dividends received	\$ 11,878	\$ 7,141		\$ 2,335	\$ 21,354
Net cash provided (used) by investing activities	\$ 11,878	\$ 7,141	\$ ...	\$ 2,335	\$ 21,354
Net increase (decrease) in cash and cash equivalents	\$ (96,788)	\$ (73,862)	\$ 31,221	\$ (3,975)	\$ (143,404)
Cash and cash equivalents, July 1	293,871	287,096	(27,689)	94,042	647,320
Cash and cash equivalents, June 30	\$ 197,083	\$ 213,234	\$ 3,532	\$ 90,067	\$ 503,916
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (21,955)	\$ 20,614	\$ 2,838	\$ (94,995)	\$ (93,498)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	\$ 129,291	\$ 114,382	\$ 4,057	\$ 63,389	\$ 311,119
(Increase) Decrease in accounts receivables	(1,259)	1,007	(179)		(431)
(Increase) Decrease in inventory				(6,582)	(6,582)
Increase (Decrease) in accounts payable	1,159	(1,772)	(10,495)	4,772	(6,336)
Increase (Decrease) in customer deposits payable	615				615
Total adjustments	\$ 129,806	\$ 113,617	\$ (6,617)	\$ 61,579	\$ 298,385
Net cash provided (used) by operating activities	\$ 107,851	\$ 134,231	\$ (3,779)	\$ (33,416)	\$ 204,887

"The notes to the financial statements are an integral part of this statement."

**CITY OF GREEN RIVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. HISTORY AND ORGANIZATION**

City of Green River (the City) is a municipal corporation governed by an elected mayor and five-member council. The City provides the following services: public safety, public utilities, street and public improvements, sanitation, planning and zoning, culture and recreation, and general administrative services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- 1) The financial statements include:

Management's Discussion and Analysis (MD&A), section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).

- 2) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**A. Reporting Entity**

All financial activities over which the City has financial responsibility are included in this report. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the City's financial statements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**B. Government-Wide and Fund Financial Statements**

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The statement of net assets is the basic government-wide statement of position that presents all of the City's permanent accounts (assets, liabilities, and net assets).

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)**

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital improvements, facilities, and equipment (other than those financed by proprietary funds and special revenue funds).

The City reports the following major proprietary funds:

The Water and Sewer Funds account for the operation and maintenance of the City's water and sewer distribution systems. The Landfill fund accounts for the collection and hauling of refuse for the City and the Museum fund accounts for the operations of the Museum.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**D. Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. During May of each year, the Mayor submits to the City Council a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
2. Copies of the proposed budget are made available for public inspection and review by the citizens of the City.
3. If the City does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the City exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
4. Once adopted, the budget can be amended by subsequent City Council action. The City Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
5. Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2006, have been included in the final budget approved by the City Council, as presented in the financial statements.
6. Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

**E. Cash and Cash Equivalents**

The City considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF), to be cash and cash equivalents.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**F. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**G. Capital Assets**

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, machinery and equipment, and infrastructure assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	7-30
Machinery and equipment	5-20
Infrastructure	20-40

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

### **H. Compensated Absences**

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid. Actual liability for unused vacation has been computed using current pay rate per hour for each hour of vacation. Sick leave is paid only if an employee is ill during employment status and not at termination therefore, sick leave is not accumulated in compensated absences totals.

### **I. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

### **J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **3. DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as cash. Income from the investment of pooled cash is allocated based on fund balances. In addition, cash is separately held by individual funds.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) in handling its depository and investment transactions. The City does not have separate policies that address the specific types of deposit and investment risks to which the City is exposed.

### **Deposits**

#### *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires the depositing of City funds in a *qualified depository*. The Act defines a *qualified depository* as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

### 3. DEPOSITS AND INVESTMENTS (Continued)

The City's deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The City's deposits at June 30, 2006, were \$357,975. Of these deposits, \$231,414 were uninsured and uncollateralized.

#### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Authorized investments include negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external investment pool managed by the Utah State Treasurer's Office. The PTIF is not registered with the SEC as an investment company, and is authorized and regulated by the Money Management Act and the Money Management Council. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees – of the PTIF are allocated based on the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Maturity</u>	<u>Quality Rating</u>
Utah Public Treasurer's Investment Fund	\$ 828,182	57 days *	Not Rated

\* Weighted-average maturity



3. **DEPOSITS AND INVESTMENTS (Continued)**

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing only in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Credit Risk*

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

4. **RESTRICTED CASH**

The following funds owned by City of Green River at June 30, 2006 were being held in the following restricted capacity. In connection with bond agreements, the City has established bond sinking and bond reserve funds. These funds are to assure that adequate money is available to service debt payments as they come due. Reserved amounts are shown below, along with other restricted funds.

<u>Enterprise Funds</u>	
Customer deposits	\$ 8,043
Total	<u>\$ 8,043</u>
<u>General Fund</u>	
Reserves/sinking funds	\$ 21,510
Class "C" Roads	16,895
Total	<u>\$ 38,405</u>
<u>Capital Projects Fund</u>	
Capital projects	<u>\$ 358,777</u>

5. **PROPERTY TAXES**

The property tax revenue of the City is collected and distributed by the Emery County treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value.

5. **PROPERTY TAXES (Continued)**

The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2006, the City did not propose a tax rate and therefore, no property taxes are shown as received or receivable.

6. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 530,941			\$ 530,941
Work in progress	344,457		\$ 344,457	
Total capital assets not being depreciated	<u>\$ 875,398</u>	<u>\$ ...</u>	<u>\$ 344,457</u>	<u>\$ 530,941</u>
Capital assets being depreciated:				
Buildings	\$ 1,357,824			\$ 1,357,824
Improvements other than buildings	2,551,051			2,551,051
Machinery and equipment	454,940		\$ 6,634	448,306
Infrastructure	6,564,687	\$ 560,995		7,125,682
Total capital assets being depreciated:	<u>\$ 10,928,502</u>	<u>\$ 560,995</u>	<u>\$ 6,634</u>	<u>\$ 11,482,863</u>

6. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Less accumulated depreciation for:				
Buildings	\$ 359,981	\$ 33,579		\$ 393,560
Improvements other than buildings	1,191,461	100,011		1,291,472
Machinery and equipment	299,340	33,138	\$ 6,634	325,844
Infrastructure	<u>4,079,777</u>	<u>178,572</u>		<u>4,258,349</u>
Total accumulated depreciation	<u>\$ 5,930,559</u>	<u>\$ 345,300</u>	<u>\$ 6,634</u>	<u>\$ 6,269,225</u>
Total capital assets being depreciated, net	<u>\$ 4,997,943</u>	<u>\$ 215,695</u>	<u>\$ ...</u>	<u>\$ 5,213,638</u>
Governmental activities capital assets, net	<u><u>\$ 5,873,341</u></u>	<u><u>\$ 215,695</u></u>	<u><u>\$ 344,457</u></u>	<u><u>\$ 5,744,579</u></u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 209,481			\$ 209,481
Work in progress		\$ 35,892		35,892
Total capital assets not being depreciated	<u>\$ 209,481</u>	<u>\$ 35,892</u>	<u>\$ ...</u>	<u>\$ 245,373</u>

6. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 2,254,440	\$ 9,934		\$ 2,264,374
Improvements other than buildings	9,093,909	468,045		9,561,954
Machinery and equipment	<u>264,384</u>	<u>38,250</u>		<u>302,634</u>
Total capital assets being depreciated:	<u>\$ 11,612,733</u>	<u>\$ 516,229</u>	<u>\$ ...</u>	<u>\$ 12,128,962</u>
Less accumulated depreciation for:				
Buildings	\$ 1,067,364	\$ 46,394		\$ 1,113,758
Improvements other than buildings	2,116,506	248,025		2,364,531
Machinery and equipment	<u>185,112</u>	<u>16,700</u>		<u>201,812</u>
Total accumulated depreciation	<u>\$ 3,368,982</u>	<u>\$ 311,119</u>	<u>\$ ...</u>	<u>\$ 3,680,101</u>
Total capital assets being depreciated, net	<u>\$ 8,243,751</u>	<u>\$ 205,110</u>	<u>\$ ...</u>	<u>\$ 8,448,861</u>
Business-type activities capital assets, net	<u>\$ 8,453,232</u>	<u>\$ 241,002</u>	<u>\$ ...</u>	<u>\$ 8,694,234</u>

6. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 36,364
Public safety	1,532
Highways and public improvements	289,416
Parks and recreation	16,436
Community and economic development	<u>1,552</u>
Total depreciation expense - governmental activities	<u>\$ 345,300</u>
Business-type Activities:	
Water fund	\$ 129,291
Sewer fund	114,382
Landfill fund	63,389
Museum fund	<u>4,057</u>
Total depreciation expense - business-type activities	<u>\$ 311,119</u>
Total depreciation expense	<u><u>\$ 656,419</u></u>

7. **PENSION PLANS**

**Cost Sharing Defined Benefit Pension Plans**

**Plan Description** – The City contributes to the Local Governmental Noncontributory Retirement System, which is for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plans, administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

7. **PENSION PLANS (Continued)**

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System, which is for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**Funding Policy** - Plan members in the Local Governmental Noncontributory Retirement System are not required to contribute to the Retirement System. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.090% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Noncontributory Retirement System, the contributions for June 30, 2006, 2005 and 2004 were \$19,483, \$18,903, and \$16,554, respectively and for the employee paid contributions to the 401K System for June 30, 2006, 2005 and 2004 were \$3,205, \$5,000 and \$3,800 respectively. The contributions were equal to the required contributions for each year.

8. **CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

## 9. LONG-TERM DEBT

The changes in bonds payable for the year ended June 30, 2006, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
June 30, 2006	\$ 208,000		\$ (9,000)	\$ 199,000	\$ 9,000
Compensated absences	<u>4,620</u>	<u>\$ 48</u>		<u>4,668</u>	
Governmental activity long-term liabilities	<u>\$ 212,620</u>	<u>\$ 48</u>	<u>\$ (9,000)</u>	<u>\$ 203,668</u>	<u>\$ 9,000</u>
<b>Business-type activities:</b>					
Bonds payable:					
June 30, 2006	<u>\$ 3,678,061</u>		<u>\$ (403,777)</u>	<u>\$ 3,274,284</u>	<u>\$ 150,873</u>
Business-type activity long-term liabilities	<u>\$ 3,678,061</u>	<u>\$ ...</u>	<u>\$ (403,777)</u>	<u>\$ 3,274,284</u>	<u>\$ 150,873</u>

Annual debt service requirements to maturity for bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 9,000	\$ 3,980	\$ 12,980	\$ 150,873	\$ 46,851	\$ 197,724
2008	9,000	3,800	12,800	191,135	56,886	248,021
2009	9,000	3,620	12,620	193,395	54,205	247,600
2010	9,000	3,440	12,440	195,695	51,315	247,010
2011	9,000	3,260	12,260	198,695	67,525	266,220
2012-2016	50,000	13,400	63,400	1,086,403	217,709	1,304,112
2017-2021	56,000	8,200	64,200	924,040	121,338	1,045,378
2022-2026	48,000	2,400	50,400	63,141	68,739	131,880
2027-2031				77,746	54,134	131,880
2032-2036				98,952	32,928	131,880
2037-2040				94,209	9,097	103,306
	<u>\$ 199,000</u>	<u>\$ 42,100</u>	<u>\$ 241,100</u>	<u>\$3,274,284</u>	<u>\$ 780,727</u>	<u>\$ 4,055,011</u>

9. **LONG-TERM DEBT (Continued)**

**Revenue Bonds** – Revenue bonds payable at June 30, 2006, with their outstanding balances, are comprised of the following individual issues:

**Governmental Activities:**

\$247,500 Lease Revenue Bonds, Series 1998, due in annual principal installments of \$12,240 to \$13,200, beginning July 1, 2000 through July 1, 2024, interest of 2.00% per annum. \$ 199,000

Total Governmental Activities \$ 199,000

**Business-type Activities:**

\$300,000 Museum Revenue Bonds, Series 1991, due in annual principal installments of \$12,000, beginning July 1, 1991, through July 1, 2016, interest of 0.00% per annum. \$ 120,000

\$773,122 Sewer Revenue Bonds, Series 2000, due in annual principal installments of \$42,436 to \$49,740, beginning July 1, 2000, through July 1, 2018, interest of 2.00% per annum. 521,000

\$261,000 Water Revenue Bonds, Series 1996, due in annual principal installments of \$14,145 to \$15,460, beginning January 1, 1997, through January 1, 2021, interest of 3.00% per annum. 179,000

\$870,000 Sewer Revenue Bonds, Series 2000A, due in annual principal installments of \$43,000 to \$44,000, beginning November 1, 2001, through November 1, 2020, interest of 0.00% per annum. 655,000

\$484,000 Sewer Revenue loans, RDA loan, due in monthly payments of principal and interest of \$2,190, beginning June 1, 2001, through December 1, 2039, interest of 7.00% per annum. 458,284

Sub-total Business-type Activities \$ 1,933,284



9. **LONG-TERM DEBT (Continued)**

Business-type Activities (continued):

\$1,562,000 Water Revenue Bonds, Series 2000A, due in annual principal installments of \$77,780 to \$94,515, beginning January 1, 2001, through January 1, 2021, interest of 1.838% per annum. \$ 1,223,000

\$150,000 Water Revenue Bonds, Series 2000B, due in annual principal installments of \$7,000 to \$8,000, beginning August 1, 2002, through August 1, 2021, interest of 0.00% per annum. 118,000

Sub-total Business-type Activities \$ 1,341,000

Total Business-type Activities \$ 3,274,284

Total all bonds payable \$ 3,473,284

Revenue bonds issued for governmental activities were used to construct a Medical Center Building within the city. All revenue bonds and Rural Development parity sewer bonds issued for business-type activities were used for the construction, repair, and maintenance of water and sewer lines, and for the construction of the Museum within the city. The City retired two revenue bond issues during the year. The first was the FMHA water revenue bond, principal remaining balance was \$123,000. The second was the Rural Development sewer revenue bond, principal remaining balance was \$95,162.

10. **PROPERTY TAX CALENDAR**

The City adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of July 1. The taxes are payable to the city treasurer by the end of November and are remitted to the City by the county treasurer as collected. The City did not adopt a tax rate for the current fiscal year therefore no property taxes have recorded as revenue.

11. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City operates four enterprise funds. The Water Fund and the Sewer Fund are used for the purpose of constructing storage and distributions systems for culinary water and sewage. The Landfill Fund is used for the purpose of accounting for the cost of collecting refuse within the City. The Museum Fund is used to account for the cost of providing the services rendered with the operation of the Museum and the operations of the gift shop. During the year, the General Fund made a transfer to the Water, Landfill and Museum Funds. All of these Funds are kept separate for revenues and expenditures within their own private fund. All of the enterprise funds are considered major funds and all are presented in this segment information.

A summary of the financial statements for these enterprise funds is presented below:

**CONDENSED STATEMENT OF NET ASSETS**

	Water Fund	Sewer Fund	Landfill Fund	Museum Fund
<b>Assets:</b>				
Current assets	\$ 220,708	\$ 232,801	\$ 19,879	\$ 137,170
Capital assets	3,727,654	3,462,509	28,340	1,475,731
Total assets	<u>\$ 3,948,362</u>	<u>\$ 3,695,310</u>	<u>\$ 48,219</u>	<u>\$ 1,612,901</u>
<b>Liabilities:</b>				
Current liabilities	\$ 151,579	\$ 5,954	\$ 5	\$ 23,370
Noncurrent liabilities	1,395,043	1,645,611		108,000
Total liabilities	<u>\$ 1,546,622</u>	<u>\$ 1,651,565</u>	<u>\$ 5</u>	<u>\$ 131,370</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	\$ 2,207,654	\$ 1,828,225	\$ 28,340	\$ 1,355,731
Unrestricted	194,086	215,520	19,874	125,800
Total net assets	<u>\$ 2,401,740</u>	<u>\$ 2,043,745</u>	<u>\$ 48,214</u>	<u>\$ 1,481,531</u>
<b>Capital assets:</b>				
Additions	\$ 503,936			\$ 48,185
Retirements				

11. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Museum Fund</u>
Operating revenues	\$ 291,089	\$ 171,568	\$ 133,621	\$ 125,319
Depreciation expense	(129,291)	(114,382)	(4,057)	(63,389)
Other operating expenses	<u>(183,753)</u>	<u>(36,572)</u>	<u>(126,726)</u>	<u>(156,925)</u>
Operating income	<u>\$ (21,955)</u>	<u>\$ 20,614</u>	<u>\$ 2,838</u>	<u>\$ (94,995)</u>
Nonoperating revenue (expenses):				
Investment earnings	\$ 11,878	\$ 7,141		\$ 2,335
Interest expense and fiscal charges	(30,960)	(33,457)		
Grants	<u>392,235</u>			<u>17,357</u>
Total nonoperating revenue (expenses)	<u>\$ 373,153</u>	<u>\$ (26,316)</u>	<u>\$ ...</u>	<u>\$ 19,692</u>
Transfers:				
Transfers in	<u>\$ 140,000</u>		<u>\$ 35,000</u>	<u>\$ 69,934</u>
Total transfers	<u>\$ 140,000</u>	<u>\$ ...</u>	<u>\$ 35,000</u>	<u>\$ 69,934</u>
Change in net assets	\$ 491,198	\$ (5,702)	\$ 37,838	\$ (5,369)
Beginning net assets	1,910,542	2,049,447	10,376	1,504,572
Prior period adjustment				<u>(17,672)</u>
Ending net assets	<u>\$ 2,401,740</u>	<u>\$ 2,043,745</u>	<u>\$ 48,214</u>	<u>\$ 1,481,531</u>

11. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Museum Fund</u>
Operating revenues:				
Charges for services	\$ 291,089	\$ 171,568	\$ 133,621	\$ 125,319
Depreciation expense	129,291	(114,382)	(4,057)	(63,389)
Operating income (loss)	(21,955)	20,614	2,838	(94,995)
Operating transfers in	140,000		35,000	69,934
Net income (loss)	491,198	(5,702)	37,838	(5,369)
Property, plant, and equipment:				
Additions	503,936			48,185
Deletions				
Net working capital	69,129	226,847	19,874	113,800
Total assets	3,948,362	3,695,310	48,219	1,612,901
Bonds payable	1,520,000	1,634,284		120,000
Total equity	2,401,740	2,043,745	48,214	1,481,531

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:				
Operating activities	\$ 107,851	\$ 134,231	\$ (3,779)	\$ (33,416)
Noncapital financing activities	140,000		35,000	69,934
Capital and related financing activities	(356,517)	(215,234)		(42,828)
Investing activities	11,878	7,141		2,335
Net increase (decrease)	\$ (96,788)	\$ (73,862)	\$ 31,221	\$ (3,975)
Beginning cash and cash equivalents	293,871	287,096	(27,689)	94,042
Ending cash and cash equivalents	<u>\$ 197,083</u>	<u>\$ 213,234</u>	<u>\$ 3,532</u>	<u>\$ 90,067</u>

12. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To more economically cover these liabilities, the City has purchased a policy with a major insurance company. The City pays an annual premium to the insurance company for the third party liability insurance coverage. The City continues to carry commercial insurance for all other risks of loss, including workers compensation, employee health and accident insurance. At June 30, 2006, the City had no claims or judgments filed against it related to the risks mentioned above.

13. **RELATED PARTY TRANSACTIONS**

There were no related party transactions during the fiscal year ended June 30, 2006.

14. **RECEIVABLES**

Receivables as of June 30, 2006 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>GENERAL FUND</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>LANDFILL FUND</u>	<u>TOTAL</u>
Receivables:					
Accounts	\$ 10,568	\$ 23,625	\$ 19,567	\$ 16,347	\$ 70,107
Governmental	<u>30,982</u>				<u>30,982</u>
Gross receivables	\$ 41,550	\$ 23,625	\$ 19,567	\$ 16,347	\$ 101,089
Less: allowance for uncollectible accounts					
Net receivables	<u>\$ 41,550</u>	<u>\$ 23,625</u>	<u>\$ 19,567</u>	<u>\$ 16,347</u>	<u>\$ 101,089</u>

15. **INTERFUND BALANCES AND TRANSFERS**

**Internal Balances** – There are no internal balances on the financial statements of individual fund receivables and payable balances at June 30, 2006.

**Transfers** – Inter-fund transfers during the year ended June 30, 2006 were as follows:

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>WATER FUND</u>	<u>LANDFILL FUND</u>	<u>MUSEUM FUND</u>	<u>TOTAL</u>
Transfers out:	\$ (244,400)	\$ (149,934)				\$ (394,334)
Transfers in:	<u>24,400</u>	<u>125,000</u>	<u>\$ 140,000</u>	<u>\$ 35,000</u>	<u>\$ 69,934</u>	<u>394,334</u>
Totals	<u>\$ (220,000)</u>	<u>\$ (24,934)</u>	<u>\$ 140,000</u>	<u>\$ 35,000</u>	<u>\$ 69,934</u>	<u>\$ ...</u>

16. **PRIOR PERIOD ADJUSTMENT**

During the year and at year-end, the City performed an inventory valuation at the Museum. The year-end inventory had not been performed for the past few years and therefore, the ending inventory valuation was not adjusted. Since the valuation performed at the end of June 30, 2006 caused an adjustment to the inventory in the Museum fund, the correction has been made to the Retained Earnings account. The adjustment was for \$17,672.

17. **USE OF ESTIMATES**

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the period. Actual results could doffer from those estimates.

18. **INVENTORIES**

Inventories are stated at the lower of cost or market, determined on the first-in, first-out basis. Inventories are accounted for under the consumption method where inventories are recorded as expenditures when consumed rather than when purchased.

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MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council  
City of Green River  
Green River, Utah 84525

RE: Report on Compliance and other Matters  
and on Internal Control Over Financial  
Reporting Based on an Audit of Financial  
Statements Performed in Accordance With  
Government Auditing Standards

We have audited the financial statements of the City of Green River as of and for the year ended June 30, 2006, and have issued our report thereon dated December 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

SMUIN, RICH & MARSING

*Smuin, Rich & Marsing*

Price, Utah

December 31, 2006



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Honorable Mayor and Members of the City Council  
City of Green River  
Green River, Utah 84525

RE: Auditors' Report on State Compliance  
for State Grants

We have audited the basic financial statements of the City of Green River for the year ended June 30, 2006 and have issued our report thereon dated December 31, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah.

Class "C" Road (Utah Department of Transportation)  
Liquor Allotment (State Tax Commission)  
CIB grant (Department of Community and Economic Development)

The City also received the following nonmajor grants, which were not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City of Green River's financial statement.)

Fire Department equipment (Department of Community and Economic Development)  
Pregnancy prevention (Department of Health and Human Services)  
Tourism grant (Department of Tourism)  
CIB grant (Department of Community and Economic Development)  
Community center after school program (Department of Health and Human Services)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt	Truth in Taxation and
Cash Management	Property Tax Limitation
Purchasing Requirements	Uniform Building Code
Budgetary Compliance	Other Compliance
Liquor Law Enforcement	

The management of the City of Green River is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred.

An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion. The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Green River, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

SMUIN, RICH & MARSING



Price, Utah

December 31, 2006

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Honorable Mayor and Members of the City Council  
City of Green River  
Green River, Utah 84525

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of The City of Green River for the year ended June 30, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

## STATE OF UTAH GENERAL REQUIREMENTS

### Impact Fees

According to Utah Code 11-36-301, the City shall make available for public inspection a document that shows the source and amount of all monies collected, earned, and received by the impact fee account, and also show each expenditure from the impact fee account. The City is maintaining an account for the impact fees collected and is allocating this amount between the different impact fees, but the City has not produced a public document that shows in detail the criteria expressed above.

We recommend that the City comply with State law and prepare a report that meets the criteria of Utah Code 11-36-301 and have this document available for public inspection.

### *Clients Response*

*The City has spent a significant amount of impact fees during the year and understands the requirement to prepare this document and will comply with Utah Code 11-36-301 and have the document available for public inspection.*

## **STATE OF UTAH GENERAL REQUIREMENTS (continued)**

### **Cash Management**

According to Utah Code, all public funds shall be deposited daily, whenever practicable, but not later than three business days after receipt. While reviewing the cash receipts and subsequent depositing of these funds, we found that four receipts out of twenty-six tested were not deposited timely.

We recommend that the City review their system of controls for receipting and the subsequent depositing of these funds to ensure that the public funds are deposited within three days.

#### ***Clients Response***

*The City will comply with the three day deposit rule and make necessary changes to ensure that the funds are deposited timely.*

### **Treasurer Bond**

Utah Code requires every public treasurer secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer. The amount of the fidelity bond is based on criteria set forth by Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council. Based on this criteria, the treasurer is not bonded for a proper amount.

We recommend that the City calculate the proper amount needed for the fidelity bond and secure the proper bond for the treasurer.

#### ***Clients Response***

*The City will follow the auditors' recommendations and secure the proper bond for the treasurer based on the previous year's budgeted gross revenues.*

### **Fund Balance Limitations**

Utah Code 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The Code section further indicates that the maximum the general fund may have as unreserved or undesignated is eighteen (18) percent of the total estimated revenue of the general fund. The City has excess fund balance as of June 30, 2006.

We recommend that the City take necessary steps to reduce the General fund balance, by appropriating excess funds in the current fiscal year.

#### ***Clients Response***

*The City understands the Utah Code and will make the necessary changes to the budget in the current fiscal year to appropriate excess funds to bring the General fund balance into compliance.*

**SUMMARY**

We feel the State Compliance issues mentioned above are some areas where the City can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Laura, Rich & Marsing".

Price, Utah

January 4, 2006